

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 98-734

November 3, 1998

COMMUNITY SERVICE TELEPHONE COMPANY  
Application for Approval of Increase  
in Investment by Community Service  
Communications, Inc.

ORDER APPROVING  
INCREASE IN  
INVESTMENT

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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On September 18, 1998, Community Service Telephone Company (CST or the Company) filed with the Commission an application requesting the approval of an increase in the level of allowed investment in an unregulated subsidiary by Community Service Communications, Inc. (CSC), the parent company of CST, in accordance with the provisions of 35-A M.R.S.A. § 708. This Order approves the Company's request.

CST is a local exchange carrier that received authorization to undertake a corporate restructuring in Docket No. 86-040. The Stipulation approved in that case allowed CST to become an affiliate of CSC, and permitted CSC to invest up to \$2.25 million (either directly or indirectly) in non-utility subsidiaries without prior Commission approval. In Docket No. 96-776, the Commission approved an increase in that investment cap to \$4.00 million in order for CSC to acquire a 50% interest in an unregulated telecommunications entity, PCS of New England (PCS).

In this filing, CSC seeks to double the size of its investment cap to \$8.00 million. In essence, CST seeks a modification of our orders in Docket numbers 86-040 and 96-776. In those cases we allowed the reorganization conditioned upon certain limits on its investments in unregulated subsidiaries. The new proposed limit will allow CSC to make both direct investments, in the form of cash contributions (debt or equity), and indirect investments in form of loan guaranties.

This request is related to an unregulated telecommunications venture of which PCS is a 50% owner. The specific transaction triggering CST's (and CSC's) current request is the pro-rata guaranty by CSC of 50% of a loan from CoBank directly to PCS's unregulated subsidiary. This loan is secured by: (1) the assets of PCS's telecommunications subsidiary; (2) PCS's 50% ownership stake in the subsidiary (as well as the other partner's 50% share); and finally, (3) CSC's stock ownership in PCS.

CSC has not pledged any of CST's assets or stock as collateral in order to complete this transaction. We find that the request for approval does not expose the ratepayers of CST to an unreasonable level of risk since the investment does not rely on the financial strength of or a guaranty from the utility. Furthermore, the structure of this transaction does not appear to impair CST's ability

to raise capital at a reasonable cost and thus the request meets the standards for approval under 35-A M.R.S.A. § 708.

CST remains subject to all terms and conditions imposed in Docket No. 86-040 and in those subsequent cases in which we addressed the allocation of costs and the recording of transactions between the utility and its affiliated interests.

Finally, we note that CST filed this request on September 18, 1998, the same day that the loan between CoBank and PCS's subsidiary actually closed. This constitutes a violation of 35-A M.R.S.A. § 708(2), which states that reorganizations are subject to Commission approval. Among the remedial powers available to the Commission is the forced divestiture of a subsidiary as prescribed in 35-A M.R.S.A. § 708(2)(A)(8). We expect the Company in the future to comply fully with the statute and obtain the necessary approval prior to proceeding with either a reorganization or a change in any previously approved reorganization.

Accordingly, we:

O R D E R

1. That Community Service Communications, Inc. may increase its level of direct and indirect investment in non-regulated subsidiaries to \$8.00 million.

2. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 3rd day of November, 1998.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Diamond

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.